

Treasury International Programs

Program Summary by Appropriations Account

(Dollars in thousands)

Appropriations	FY 2006	FY 2007		FY 2008
	Enacted	President's Budget	CR-rate	President's Budget
International Financial Institutions	\$1,277,236	\$1,328,968	\$1,066,198	\$1,498,950
International Development Association	940,500	950,000	752,400	1,060,000
Multilateral Investment Guarantee Agency	1,287	0	1,288	1,082
Global Environment Facility**	79,200	80,000	56,250	106,763
Inter-American Development Bank				
Multilateral Investment Fund	1,724	25,000	1,724	29,232
Inter-American Investment Corporation	1,724	0	1,724	7,264
Asian Development Bank**	0	0	0	0
Asian Development Fund	99,000	115,250	99,000	133,906
African Development Bank	3,602	5,018	3,613	2,037
African Development Fund	134,343	135,700	134,343	140,584
European Bank for Reconstruction and Development	1,006	0	1,006	10
International Fund for Agricultural Development	14,850	18,000	14,850	18,072
Arrears***	[5,453]	[0]	[4,018]	[175,000]
Debt Restructuring	\$64,350	\$182,799	\$20,000	\$207,300
Treasury Technical Assistance*	\$32,800	\$23,700	\$23,700	\$24,800
Total Program Level	\$1,374,386	\$1,535,467	\$1,109,898	\$1,731,050

*FY 2006 amount includes \$13M in supplemental funds

**FY 2007 amount is an amended budget request

*** Arrears are included in the budget request

Explanation of Request

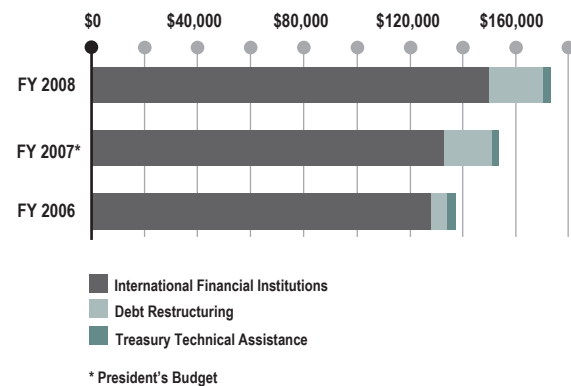
The FY 2008 President's Budget request for the Department of the Treasury's International Assistance Programs supports key objectives of the President's agenda, such as the G-8 Multilateral Debt Relief Initiative, measuring results, improving debt sustainability, increasing grants, improving transparency and fighting corruption. Total resources required to support the Treasury International Assistance Programs for FY 2008 are \$1.731 billion, including contributions to the International Financial Institutions (IFIs) of \$1.499 billion, \$207.3 million for Debt Restructuring, and \$24.8 million for Treasury's International Technical Assistance Programs.

Purpose of Program

The mission of Treasury International Programs is to promote economic growth and poverty reduction in

International Programs Funding History

(Dollars in Thousands)



developing countries through U.S. participation in the multilateral development banks (MDBs), efforts to prevent the buildup of unsustainable debt burden in poor countries, and technical advice to developing countries on building market-based economies.

International Programs FY 2008 Budget Highlights

(Dollars in thousands)

Appropriation	International Financial Institutions	Technical Assistance	Debt Restructuring	Total
FY 2006 Enacted*	\$1,277,235	\$32,800	\$64,350	\$1,374,385
FY 2007 President's Budget	\$1,328,968	\$23,700	\$182,799	\$1,535,467
CR-rate Adjustment	(262,771)	-	(162,799)	(405,570)
FY 2007 CR-rate	\$1,066,198	\$23,700	\$20,000	\$1,109,898
Increases	432,752	1,100	187,300	621,152
FY 2008 President's Budget	\$1,498,950	\$24,800	\$207,300	\$1,731,050

*Technical Assistance amount includes \$13M in supplemental funds

FY 2008 Program Estimates

International Financial Institutions (IFIs) (\$1,498,950,000)

The FY 2008 President's Budget requests \$1.499 billion for the multilateral development banks (MDBs), including \$175 million to pay a portion of outstanding U.S. arrears.

International Development Association (IDA) (\$1,060,000,000) IDA is a member of the World Bank Group and provides development financing on highly concessional and grant terms to the world's poorest nations, including the exceptional challenges faced by countries in Africa. The FY 2008 President's Budget requests \$950.0 million for the last of three payments to the fourteenth replenishment of IDA (IDA-14) and \$110 million to clear a portion of outstanding U.S. arrears to IDA. U.S. leadership secured a number of key objectives in the agreement, including: a debt sustainability framework that allocates resources to help countries avoid crippling debt burdens; grants totalling approximately 31 percent of total assistance to the poorest countries; and an expanded results measurement system that will help assess the impact of IDA funding at the project, sector and country levels.

Multilateral Investment Guarantee Agency (MIGA) (\$1,082,000) MIGA, a member of the World Bank Group, is chartered to encourage foreign direct investment by providing investment insurance (guarantees) and political risk insurance against non-commercial risks (i.e., expropriation, transfer restrictions, currency inconvertibility, and political violence) in developing countries. The FY 2008 President's Budget requests \$1.1 million to pay a portion of outstanding U.S. arrears to MIGA.

Global Environment Facility (GEF) (\$106,763,000) The GEF is the largest multilateral funder of projects and programs that protect the global environment, particularly in the areas of biodiversity conservation, climate change, and international waters. The FY 2008 President's Budget requests \$80.0 million for the second of four payments to the fourth replenishment of the Global Environment Facility (GEF-4) and \$26.8 million to clear a portion of outstanding U.S. arrears to the GEF. During GEF-4 replenishment negotiations, finalized in 2006, the

United States achieved an important set of policy reforms to improve the GEF's overall effectiveness, particularly with regard to project quality, portfolio management, resource allocations, transparency, and anti-corruption efforts.

Multilateral Investment Fund (MIF) (\$29,232,000) The MIF, administered by the Inter-American Development Bank (IDB), works directly with private and public sector partners to strengthen the environment for business, build the capabilities and skills of the workforce, and broaden the economic participation of smaller enterprises. The FY 2008 President's Budget requests \$25.0 million for the second of six payments to the first replenishment of the MIF (MIF-II) and \$4.2 million to pay for a portion of outstanding U.S. arrears to the MIF. The United States achieved its key objectives in the replenishment negotiations, including: a strengthened commitment to measurable results; a strong focus on grants; allocation of resources to maximize innovation; and reform of the IDB's procurement guidelines.

Inter-American Investment Corporation (IIC) (\$7,264,000) The IIC, a member of the Inter-American Development Bank Group, promotes private small and medium-sized enterprises in Latin America and in the Caribbean, providing loans for capital to either start, expand or modernize their operations. The FY 2008 President's Budget requests \$7.3 million to clear a portion of outstanding U.S. arrears to the IIC.

Asian Development Fund (AsDF) (\$133,906,000) The AsDF, the Asian Development Bank's concessional window, provides development financing for investments in health, education, environment, and social protection, as well as policy advice to the poorest countries in the Asia-Pacific region. The FY 2008 President's Budget requests \$115.3 million for the third of four payments to the eighth replenishment of the AsDF (AsDF-9) and \$18.7 million for outstanding U.S. arrears to the AsDF. In the AsDF-9 Agreement, the United States secured a number of important policy reforms, including: the formation of a grants window through which grants will comprise 30 percent of assistance to the poorest countries; a significant increase in the weight of governance

in determining country assistance allocations; strengthened internal oversight, risk management, and results measurement; increased transparency; and a stronger focus on private sector development.

African Development Bank (AfDB) (\$2,036,730) and the African Development Fund (AfDF) (\$140,584,113) The AfDB provides development financing for creditworthy African countries to promote sustainable economic growth and to help reduce poverty. For the AfDB, The FY 2008 President's Budget requests \$2.0 million to pay outstanding arrears to the AfDB. The AfDF provides highly concessional loans and grants to Africa's poorest countries to help promote economic growth and reduce poverty. The FY 2008 President's Budget requests \$135.7 million for the last of three payments to the tenth replenishment of the AfDF (AfDF-10) and \$4.9 million to pay a portion of outstanding U.S. arrears to the AfDF. U.S. leadership secured key objectives in the replenishment, including: a substantial increase in grant funding under an agreed debt sustainability framework; enhanced effectiveness to achieve measurable results on the ground; improved transparency and increased activities to fight corruption; and greater support to post-conflict countries.

European Bank for Reconstruction and Development (EBRD) (\$10,157) The EBRD supports market-oriented economic reform through private sector lending and investment in the nations of Central and Eastern Europe and the former Soviet Union. The FY 2008 President's Budget requests \$10,157 to pay outstanding arrears to the EBRD.

International Fund for Agricultural Development (IFAD) (\$18,072,000) IFAD is a multilateral institution focused on promoting rural agricultural development in poorer countries. The FY 2008 President's Budget requests \$18.0 million for the second of three payments to the seventh replenishment of IFAD (IFAD-7) and \$72,000 to help clear outstanding U.S. arrears. Negotiations on IFAD-7 concluded in December 2005, and the United States exercised significant leadership to achieve key objectives, including: an action plan to address key findings of the independent external evaluation for increasing the effectiveness of IFAD operations; a stronger performance based allocation

system; a debt sustainability framework; and increased transparency and anti-corruption measures.

Debt Restructuring (\$207,300,000)

The FY 2008 President's Budget requests funding of \$207.3 million for the cost of debt restructuring programs, including bilateral Heavily Indebted Poor Countries initiative (HIPC) debt reduction for Liberia and the Democratic Republic of the Congo (DRC), the HIPC Trust Fund, and the Tropical Forest Conservation Act. The bulk of this amount will be needed to cover the cost of canceling the remainder of the DRC's debt to the United States when the DRC reaches its Completion Point under the HIPC initiative. The United States Government is the largest creditor of the DRC; lack of U.S. participation in debt relief would likely cause other creditors to withhold their debt relief. An amount of \$20 million would be used for debt treatment under the Tropical Forest Conservation Act (TFCA).

Technical Assistance (\$24,800,000)

The FY 2008 President's Budget requests \$24.8 million for the cost of the technical assistance program, which provides highly experienced financial advisors to reform-minded developing countries, transitional economies, and nations recovering from conflict. The increase over the FY 2007 President's Budget request is justified by growing evidence of the importance of strong financial sectors and sound public financial management for the achievement of U.S. international policy priorities, and the growing need for Treasury technical assistance. Treasury assistance focuses on strengthening the financial and economic management capacity of aid recipient countries. Such capacity is essential for aid recipients to make effective use of foreign assistance, to reduce their vulnerability to economic shocks, terrorist financing and financial crime, and ultimately to eliminate their dependence on aid. This increase in funding will provide Treasury's Technical Assistance the ability to address significant needs in Sub-Saharan Africa, the Greater Middle East, Asia, and Latin America.

Explanation of Programs

International Financial Institutions (\$1,498,950,000 from direct appropriations) International Financial Institutions (IFIs) provide loans, grants and investments to developing and transition economies

and private sector enterprises in countries where risks are too high for private financing alone and where leverage is needed to encourage private financing. The United States strongly advocates bank policies and assistance programs that reflect U.S. priorities in promoting growth, increasing productivity, and reducing poverty in developing countries.

Debt Restructuring (\$207,300,000 from direct appropriations) Debt Restructuring for the poorest countries provides an incentive to implement macro-economic and structural reforms necessary for economic growth and also frees up resources for poverty reduction efforts. Debt reduction under the Tropical Forest Conservation Act allows for reduction of U.S. concessional debt and redirection of payments in local currency in eligible countries to support programs to conserve tropical forests.

International Affairs Technical Assistance (\$24,800,000 from direct appropriations) International Affairs Technical Assistance provides financial advisors to countries seeking assistance in implementing significant economic reforms, especially during critical periods of transition to market-based economies. The program supports economic policy and financial management reforms focusing on the functional areas of budget, taxation, government debt, financial institutions and financial crimes law enforcement.

Description of Performance

Through U.S. leadership in the IFI replenishment negotiations, key policy reforms were initiated, reinforced and extended in the international financial institutions. These reforms focus on improving debt sustainability, increasing grants, measuring results, increasing transparency and fighting corruption. Through the landmark G-8 Multilateral Debt Relief Initiative, 42 of the world's poorest and most debt

vulnerable countries will be eligible to receive 100 percent cancellation of their MDB debt.

Debt sustainability frameworks adopted in IDA and the AfDF will help break the destabilizing lend-and-forgive cycle. IDA will provide approximately 30 percent of its total resources to the world's poorest and most debt vulnerable countries as grants, and the AfDF is also extending nearly one-third of its available resources as grants. The AsDF-9 replenishment agreement established, for the first time in the AsDF, a grant window where approximately 30 percent of assistance to the poorest countries will be in the form of grants.

Results measurement systems have been expanded significantly through the IDA-14 and AfDF-10 replenishment agreements with the adoption of clear, measurable goals and targets, and results-based management processes and standards. Continuing work is needed to ensure full implementation of results-based management in all the MDBs.

Measures to improve transparency and efforts to fight corruption in countries, on bank projects, and in the institutions themselves have been strengthened. For example, the AfDB established a new anti-corruption and investigative unit, the IDB overhauled its procurement policies and practices to conform to best international practices, and AsDB significantly increased its in-country governance programs. In FY 2008, IDA will continue its independent assessment of its internal controls framework.

Going forward, the Treasury Department will continue to reinforce these key reforms and build upon achievements in the IFIs on managing for results, increasing transparency and fighting corruption, and ensuring the debt sustainability of the world's poorest countries.